

No. 8480

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
IRAQ**

Loan Agreement—*Road Project* (with annexed Loan Regulations No. 3). Signed at Washington, on 22 July 1966

Official text: English.

Registered by the International Bank for Reconstruction and Development on 21 December 1966.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
IRAK**

Contrat d'emprunt — *Projet relatif aux routes* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 22 juillet 1966

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 21 décembre 1966.

No. 8480. LOAN AGREEMENT¹ (*ROAD PROJECT*) BETWEEN THE REPUBLIC OF IRAQ AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 22 JULY 1966

AGREEMENT, dated July 22, 1966, between REPUBLIC OF IRAQ (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS; DEFINITION

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations):

(a) The second sentence of Section 3.02 of the Loan Regulations shall apply only to withdrawals in respect of expenditures in currencies other than the currency of the Borrower.

(b) Section 4.01 of the Loan Regulations is deleted.

(c) Section 9.04 of the Loan Regulations is deleted.

Section 1.02. Wherever used in the Loan Agreement, unless the context otherwise requires, the term "Ministry" means the Ministry of Communications of the Borrower, acting by its Director General of Roads and Bridges, any successor thereto or any other agency of the Borrower charged with the responsibility for the roads of the Borrower.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty-three million dollars (\$23,000,000).

¹ Came into force on 20 September 1966, upon notification by the Bank to the Government of Iraq.

² See p. 252 of this volume.

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement.

Section 2.03. Except as the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement and the Loan Regulations, to withdraw from the Loan Account :

- (a) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Bank of such amounts as shall have been expended for the reasonable cost of goods required for carrying out Part I of the Project; and
- (b) such amounts as shall have been expended for the reasonable cost in foreign exchange of goods required to carry out Parts II and III of the Project and, if the Bank shall so agree, such amounts as shall be required by the Borrower to meet payments for such goods;

provided, however, that no withdrawals shall be made on account of (i) expenditures prior to April 1, 1965, or (ii) expenditures made in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

Withdrawals from the Loan Account pursuant to subsection (a) above shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower (acting through the Ministry) and the Bank, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Borrower shall at all times make available promptly as needed all sums and other resources which shall be required for the carrying out of the Project.

(c) Except as the Bank shall otherwise agree, the Borrower shall, in the carrying out of the Project, employ or cause to be employed engineering consultants and experts acceptable to, and to an extent and upon terms and conditions satisfactory to, the Borrower and the Bank.

(d) Except as the Borrower and the Bank shall otherwise agree, the works included in Part I of the Project shall be carried out by contractors satisfactory to the Borrower and the Bank employed under contracts satisfactory to the Borrower and the Bank.

(e) The Borrower shall cause the Directorate-General of Roads and Bridges of the Ministry at all times to maintain an adequate staff, including in particular sufficient engineering personnel qualified and experienced in the construction and maintenance of roads and the supervision thereof.

Section 5.02. (a) The general design standards to be used for the roads included in Part I of the Project shall be as determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

(b) Upon request from time to time by the Bank, the Borrower shall promptly cause to be furnished to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

Section 5.03. (a) The Borrower and the Bank shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or for the maintenance of roads and bridges under the jurisdiction of the Ministry and other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods financed out of such proceeds, the Project, and the administration, operations and financial condition of the agency or agencies of the Borrower responsible for carrying out of the Project or any part thereof or for the maintenance of roads and bridges under the jurisdiction of the Ministry. Such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(c) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

(d) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.04. The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting

practices the operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or for the maintenance of roads and bridges under the jurisdiction of the Ministry, and shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, all maintenance works, equipment, properties and facilities of the Borrower connected therewith and any records and documents relevant thereto.

Section 5.05. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the assets of the Central Bank of Iraq and any other institution performing the functions of a central bank for the Borrower.

Section 5.06. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.07. The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes, if any, imposed under the laws

of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.08. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 5.09. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall insure or cause to be insured the goods against marine, transit and other hazards incident to their acquisition and their importation and delivery to the place of use or installation, and any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 5.10. (a) The Borrower (i) shall cause all roads and bridges under the jurisdiction of the Ministry to be adequately maintained, (ii) shall cause all necessary repairs thereof to be made, and (iii) shall take all possible action to cause the dimensions and weights of vehicles using such roads to be kept within the limits prescribed by law, all in accordance with sound engineering practices.

(b) The Borrower shall cause all road-maintenance equipment (i) to be adequately maintained and all necessary repairs and renewals thereof to be made, all in accordance with sound engineering practices and (ii), except as the Borrower and the Bank shall otherwise agree, to be used exclusively in the maintenance program to be established under Part II of the Project.

Section 5.11. The Borrower shall construct or cause to be constructed to the same design standards as the road included in Part I A 1 of the Project, and shall open to traffic as soon as possible but not later than the time of completion of such road, the portion of about 37 km of the Sharqat-Mosul road known as Section I thereof. Such Section shall be designed and constructed in conformity with sound engineering and financial practices.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due

and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VII

MISCELLANEOUS

Section 7.01. If this Loan Agreement shall not have come into force and effect by October 31, 1966 this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower of such later date.

Section 7.02. The Closing Date shall be March 31, 1970, or such other date or dates as shall be agreed between the Borrower and the Bank as the Closing Date.

Section 7.03. The following addresses are specified for the purpose of Section 8.01 of the Loan Regulations :

For the Borrower :

Director General of Roads and Bridges
Ministry of Communications
Baghdad, Iraq

Alternative address for cablegrams and radiograms :

Genroads
Baghdad

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 7.04. The Minister of Planning of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Iraq :

By N. HANI

Authorized Representative

International Bank for Reconstruction and Development :

By George D. WOODS

President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
July 15, 1970	\$420,000	January 15, 1979	\$690,000
January 15, 1971	430,000	July 15, 1979	710,000
July 15, 1971	445,000	January 15, 1980	730,000
January 15, 1972	455,000	July 15, 1980	755,000
July 15, 1972	470,000	January 15, 1981	775,000
January 15, 1973	485,000	July 15, 1981	800,000
July 15, 1973	500,000	January 15, 1982	825,000
January 15, 1974	515,000	July 15, 1982	850,000
July 15, 1974	530,000	January 15, 1983	875,000
January 15, 1975	545,000	July 15, 1983	900,000
July 15, 1975	560,000	January 15, 1984	930,000
January 15, 1976	580,000	July 15, 1984	955,000
July 15, 1976	595,000	January 15, 1985	985,000
January 15, 1977	615,000	July 15, 1985	1,015,000
July 15, 1977	630,000	January 15, 1986	1,045,000
January 15, 1978	650,000	July 15, 1986	1,065,000
July 15, 1978	670,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
Not more than three years before maturity	1/2%
More than three years but not more than six years before maturity	1 1/2%
More than six years but not more than eleven years before maturity	2 1/2%
More than eleven years but not more than sixteen years before maturity	3 1/2%
More than sixteen years but not more than eighteen years before maturity	5%
More than eighteen years before maturity	6%

SCHEDULE 2

DESCRIPTION OF PROJET

The Project consists of :

*Part I. Construction Works**A. Roads*

The construction and reconstruction to modern standards of about 390 km of road sections, as follows :

1. Sharqat-Mosul, excluding the portion thereof known as Section I
2. Kut-Nassiriya
3. Garmat-Ali-Basrah
4. Baghdad-Khalis
5. Safwan-Umm Qasr

B. Bridges

The construction of a road bridge over the Euphrates River at Fallujah, with approaches.

Part II. Road Maintenance Program

The establishment and implementation, with the assistance of consultants, of a program to improve and strengthen the maintenance organization and operation of the Directorate of Roads and Bridges. The program will also include procurement and utilization of additional maintenance equipment with spare parts and the purchase and installation of equipment for repair shops.

Part III. Road Transport Study

On the basis of traffic studies and preliminary cost estimates, the establishment with the assistance of consultants of a coordinated program of investments in new roads and

in the improvement of existing roads according to the relative economic priorities of main and feeder roads covering a period of ten to fifteen years.

* * *

The Project is scheduled to be completed by December 31, 1969.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 414, p. 268.*]